

**UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS**

FILED
2004 JAN 23 P 12:52

U.S. DISTRICT COURT
DISTRICT OF MASS

Kipp R. Gibbs,
Plaintiff,

CIVIL ACTION NO. 03-cv-12565PBS

v.

SLM Corp. (a.k.a. Sallie Mae and as
USA Education, Inc.), Sallie Mae
Servicing, L.P., Nellie Mae, USA Funds,
General Revenue Corporation,
Defendants.

AFFIDAVIT OF KIPP R. GIBBS

1. This affidavit will serve to clarify the somewhat misleading Corporate Disclosure Statement filed by the Defendants.
2. **Sallie Mae Servicing, L.P.:** According to SLM Corporation's organization chart from its fact sheet (attached hereto as "Exhibit 1"), Sallie Mae Servicing, L.P. is an 100% owned corporate entity of SLM Corporation. As of December 2003, it was indirectly owned through Sallie Mae, Inc. The description of Defendant Sallie Mae Servicing, L.P. as "a wholly-owned subsidiary of SLM Corp." was completely accurate when this action was filed by the Plaintiff in Barnstable Superior Court.
3. **Nellie Mae:** According to Sallie Mae's year 2000 annual 10-K (attached as "Exhibit 2"), Sallie Mae acquired "Nellie Mae in 1999...." If there is "no entity known as Nellie Mae," as written in Defendants Corporate Disclosure, how did they acquire it?


The “Nellie Mae” nomenclature appears in Sallie Mae’s very own 10-K filed with the Securities and Exchange Commission as an official document. Furthermore, since Sallie Mae’s acquisition of Nellie Mae in 1999, according to knowledge and belief, it has not been reported to the SEC as having been sold. Nellie Mae is listed in the corporate organizational chart of SLM Corporation (Exhibit 1) as “Nellie Mae Corp.,” which is 100% owned by SLM Corp.

4. **USA Funds:** Defendants state that USA Funds is an “independent” company. This is an ambiguous use of the term *independent*. “We provide a full complement of administrative services to...USA Funds.... [Sallie Mae] performs services including loan origination, account maintenance, default aversion and collections...,” according to pp. 6 and F-13 of Sallie Mae’s 2002 10-K filed with the SEC (please see “Exhibit 3” items B and C.)
5. However, USA Funds does not function as an ordinary, arms-length, third-party company. On July 31, 2000, SLM Holding Corp. purchased USA Group, Inc., which owned USA Funds, and as part of the deal, USA Group left USA Funds out of the acquisition, but pledged its income and operations to SLM Holding Corp., which SLM Corp. still controls today in an automatically renewing, perpetual contract. Indeed, SLM Corp. owns the service mark *USA Funds*, which was sold to SLM Holding Corp. as part of the deal. This unique, intricate arrangement would appear from SLM Corp.’s SEC filings to be merely a tax advantage, since USA Funds has nonprofit status. As of December 2003, through its wholly-owned subsidiary, Sallie

Mae Servicing, L.P., SLM Corp. controlled absolutely USA Funds. To date, there has not been an SEC filing stating that Sallie Mae Servicing, L.P. has been sold. It has, however, according to the Defendants, been renamed on December 31, 2003.

6. Plaintiff's description, therefore, of USA Funds as "the only nonprofit organization functioning within the 17 companies that comprise the multi-billion dollar corporate empire of SLM Corporation" is almost accurate: SLM Corp. reportedly owns more than 17 companies.
7. **General Revenue Corporation:** General Revenue Corporation appears in SLM Corp.'s organizational chart (Exhibit 1) as an 100% owned corporate entity. SLM Corp. typically describes companies it owns as wholly-owned subsidiaries (please see Exhibit 3, item A.) Plaintiff's description of General Revenue Corporation as a wholly-owned subsidiary of SLM Corp. is accurate.
8. **SLM Corp.:** Except for USA Funds, which it merely controls, SLM Corp. is the parent and boss of all named defendants: "SLM Holding Corporation was renamed USA Education, Inc.... USA Education, Inc. [, Sallie Mae,] is a holding company *that operates through a number of subsidiaries....*" (Please see p. 18 of The Company's year 2000 annual 10-K report filed with the SEC, affixed hereto as "Exhibit 4".) USA Education, Inc. has since been renamed to SLM Corp.

9. SLM Corp. changes its name and the names of entities within its organization with suspect regularity. As an example of this, please refer to an SEC insider filing attached hereto as "Exhibit 5".
10. SLM Corp. takes advantage of its various name changes to make it appear as though generic, sundry plaintiffs are mistaken in their facts about the company, and, by inference, about facts alleged in various law suits. In psychological tactics it is called "planting a seed," wherein it is hoped that it will blossom and take root underground—or subconsciously—in the mind of the intended dupe. They have employed this tactic in the present case by waiting to file a corporate disclosure coincident with their denial of allegations against them and their denial of the relevance of applicable law. (Please see *Defendants' Statement in the Joint Proposed Discovery Plan And Case Management Report* filed with the *Corporate Disclosure Statement* on January 23, 2004 in this Court.)
11. Plaintiff will help the Court and attorneys for the class, if motion for class certification is granted, to see through the smoke and mirrors of the Defendants.


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Plaintiff, Pro Se
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Sallie Mae Business Organization

SLM Corporation™
(Holding Company)

EDUCATION CREDIT	PRIVATE CREDIT	ACQUISITION AND FUNDING	SERVICING	DEFAULT AVERSION	COLLECTION	RELATED SERVICES
Sallie Mae, Inc.	SLM Financial Corp.	Student Loan Marketing Assoc.	Sallie Mae Servicing L.P.	Student Assistance Corp.	Education Debt Services, Inc.	Noel-Levitz, Inc.
Sallie Mae Education Trust	HEMAR Insurance Corp. of America	SLM Funding Corp.	Guarantee Servicing		General Revenue Corp.	Truefearers, Inc.
Nellie Mae Corp.			Loan Servicing		Pioneer Credit Recovery, Inc.	wire scholar.com
Student Loan Funding Resources LLC						
Education One Group, Inc.						
Education First Marketing LLC						

Sallie Mae Offices

Headquarters	Reston, VA
Servicing Operations	Fishers, IN Killeen, TX Lynn Haven, FL Marlton, NJ Wilkes-Barre, PA
Debt Management Operations	Arcade, NY Cincinnati, OH Fishers, IN Perry, NY Summerlin, NV

EXHIBIT 1

Excluding business acquisitions, the Company's control channel volume was approximately 61 percent of its total purchase volume in 2000 and 52 percent of its purchase volume in 1999. In 2000, the primary contributors to the Company's control channel volume were its joint venture with Chase Manhattan Bank and its strategic alliance with Bank One, which resulted from the Company's USA Group acquisition. During the federal fiscal year ending September 30, 2000, Chase and Bank One were the second and third largest originators, respectively, of federally insured student loans.

Although a significant portion of the Company's volume comes from commercial banks, the Company also purchases student loans from other eligible FFELP lenders, including savings and loan associations, mutual savings banks, credit unions and insurance companies, educational institutions, and state and private non-profit loan originating and secondary market agencies.

The Company entered into its joint venture with Chase Manhattan Bank (the "Joint Venture") in 1994 and restructured it in 1998 such that the Company now purchases all loans originated by Chase. The Company also purchased the \$5 billion of loans that were co-owned in the Joint Venture at the time of the restructuring. Since the Company now owns the loans, it no longer receives servicing fees from the Joint Venture that were previously included in other income.

On December 31, 1999, USA Group entered into an agreement to establish an innovative strategic alliance with Bank One, one of the nation's largest education loan originators. This alliance was transferred to the Company as part of the Company's acquisition of USA Group's business operations. Under this alliance, Education One Group, Inc., which is now an indirect wholly owned subsidiary of the Company, is the sole, limited purpose agent of Bank One operating exclusively to market and sell Bank One's education loans. Under the Company's renewable, multi-year agreement, which strengthened and expanded its then existing arrangement with Bank One, the Company's affiliates will service and purchase a significant share of Bank One's annual new loan volume.

The Company also purchases student loans through standard purchase commitment contracts. During 2000, the Company purchased approximately \$1.4 billion of student loans through such arrangements. The Company enters into commitment contracts with lenders to purchase loans up to a specified aggregate principal amount over the term of the contract, which is generally three years. Under all commitment contracts (including control channel commitments), lenders have the right, and in most cases the obligation, to sell to the Company the loans they own over a specified period of time at a purchase price that is based on certain loan characteristics. Unlike control channel commitments, the loans under standard commitments are not originated on a Sallie Mae servicing platform.

The Company supplements its commitment purchases with spot purchases. In a spot purchase, the Company competes with other market participants to purchase a portfolio of eligible loans from a selling holder. Excluding business acquisitions, the Company made approximately 8 percent and 1 percent of its purchases of educational loans through spot purchases in 2000 and 1999, respectively. In general, spot purchase volume is more costly than volume purchased under commitment contracts.

In 1998, the Company began to originate a nominal amount of FFELP loans through its wholly owned subsidiary, SLM Education Loan Corp. As of December 31, 2000, the Company originated \$306 million of FFELP loans. In order to accelerate its loan origination efforts, the Company completed two strategic acquisitions: Nellie Mae in 1999 and Student Loan Funding Resources Inc. ("SLFR") in 2000. At the time of purchase, Nellie Mae had a \$2.6 billion student loan portfolio. SLFR owned a \$3.0 billion portfolio and originated approximately \$25 million in student loans during their fiscal year ended June 30, 2000. The Company expects that its origination activity will increase as more schools adopt the Laureate, and NetWizard™ student loan delivery systems discussed below. The Company will continue to explore acquiring additional student loan volume and origination capabilities through strategic acquisitions of student loan businesses.

more efficient manner. In addition to loan delivery through the Internet, paper loan applications continue to be processed via our proprietary, internally developed origination system, ExportSS, and electronically transferred to CLASS, our proprietary, internally developed student loan-servicing platform. CLASS handles all aspects of the loan process including (a) data exchange between Loan Servicing Centers, schools, guarantors and lenders; (b) check and electronic disbursements; and (c) cancellations, returns and refunds. The benefits to our customers include shorter processing cycles, better customer service, and improved accuracy and efficiency.

Private Credit Student Loan Programs

In addition to federal loan programs, which have statutory limits on annual and total borrowing, we offer a variety of private credit loan programs to bridge the gap between the cost of education and a student's aid package, which includes federal loans and grants and scholarships, plus self-financing resources. Over the last several years tuition has increased faster than federal student aid, resulting in private credit student loans becoming a larger percentage of the funding of the cost of education. We have also seen an increase in non-traditional education, such as career training, and have developed private credit loan products to meet this need. The growth in enrollment, tuition and loan products has fueled the growth of our private credit loan originations, which grew at a 43 percent annual rate from 2001 to 2002.

Item A

Through SLM Financial, a wholly-owned subsidiary, we have substantially expanded our private credit loan products. These loans are not offered as a supplement to the federal program but rather an alternative to finance the needs of students in career training and lifelong learning programs. For instance, we offer the Career Training Loan™ through partnerships with higher education associations, colleges and universities, technical and trade schools and other adult learning centers. This loan, which is made by lender partners, is available to borrowers enrolled in career training courses or distance learning schools; attending a two-year or four-year proprietary school; or attending a four-year college less than half time. At December 31, 2002, we had \$1.1 billion of career training loans outstanding.

Since we bear the full credit risk for private credit student loans, all private credit student loans are underwritten and priced based upon standardized consumer credit scoring criteria. In addition, we provide price and eligibility incentives for students to obtain a credit-worthy co-borrower. Approximately 46 percent of our private credit student loan volume has co-borrowers. At December 31, 2002, we had \$6.0 billion of private credit student loans outstanding or 8 percent of our total Managed student loan portfolio. (See also "Critical Accounting Policies and Estimates—Provision for Loan Losses.")

Guarantor Services, Default Management Operations and Collections

FFELP student loans are guaranteed by various guarantee agencies with the DOE providing reinsurance to the guarantor. The guarantee agencies are non-profit institutions or state agencies that, in addition to providing the primary guarantee on FFELP loans, are responsible for the following:

- Guarantee issuance—initial approval of loan terms and guarantee eligibility,
- Account maintenance—maintaining and updating records on guaranteed loans,
- Default aversion—assisting lenders in preventing default by delinquent borrowers,
- Collection—post-default loan administration and collections.

Item B

We provide a full complement of administrative services to student loan guarantors, primarily USA Funds (an unaffiliated entity), the nation's largest guarantor. For FFY 2002, the Company processed \$8.2 billion in new FFELP loan guarantees for USA Funds and \$2.5 billion for our other guarantor servicing customers. This represented 33 percent of the FFELP loan market or 24 percent of the combined FFELP and FDLP loan markets. All of these customers use our proprietary, internally developed guarantee processing system, EAGLE™. EAGLE tracks FFELP loan origination and

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share amounts)

2. Significant Accounting Policies (Continued)

will not be one in the future, the Company discontinues the hedge accounting prospectively and ceases recording changes in the fair value of the hedged item.

The Company also has a number of derivatives, primarily Floor Income Contracts, certain Eurodollar futures contracts and certain basis swaps, that the Company believes are effective economic hedges, but are not considered effective hedges under SFAS No. 133. They are considered ineffective under SFAS No. 133 because they are hedging only a portion of the term of the underlying risk or hedging an off-balance sheet financial instrument. These derivatives are classified as "trading" for GAAP purposes and as a result they are marked-to-market through GAAP earnings with no consideration for the price fluctuation of the hedged item.

Guarantor Servicing and Default Management Fees

The Company performs services including loan origination, account maintenance, default aversion and collections for various guarantor agencies, the Department of Education ("DOE") and educational institutions. The fees associated with these services are accrued as earned. The guarantor servicing contract with United States Aid Funds, Inc. ("USA Funds") accounts for 72 percent of the guarantor servicing revenue.

Software Development Costs

Certain direct development costs associated with internal-use software are capitalized, including external direct costs of services and payroll costs for employees devoting time to the software projects. These costs are included in other assets and are amortized over a period not to exceed five years beginning when the asset is technologically feasible and substantially ready for use. Maintenance costs and research and development costs relating to software to be sold or leased are expensed as incurred.

During the years ended December 31, 2002 and 2001, the Company capitalized \$23 million and \$10 million, respectively, in costs related to software development, and expensed \$70 million and \$87 million, respectively, related to routine maintenance, betterments and amortization. At December 31, 2002 and 2001, the unamortized balance of capitalized internally developed software included in other assets was \$42 million and \$37 million, respectively.

Goodwill and Intangible Assets

The Company accounts for its goodwill in accordance with SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires companies to use the purchase method of accounting for all business combinations initiated after June 30, 2001, and broadens the criteria for recording identifiable intangible assets separate from goodwill. SFAS No. 142 requires companies to cease systematically amortizing goodwill (and other intangible assets with indefinite lives) and perform an assessment for impairment by applying a fair-value-based test on an annual basis (or an interim basis if circumstances indicate a possible impairment). Future impairment losses are to be recorded as an operating expense, except at the transition date, when any impairment write-off of existing goodwill is to be recorded as a "cumulative effect of change in accounting principle." In accordance with SFAS No. 142, any goodwill and indefinite-life intangibles resulting from acquisitions completed after June 30, 2001 will not be amortized. Effective January 1, 2002, the Company ceased the amortization of goodwill and

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
Years ended December 31, 1998-2000
(Dollars in millions, except per share amounts)

OVERVIEW

SLM Holding Corporation ("SLM Holding") was formed on February 3, 1997, as a wholly owned subsidiary of the Student Loan Marketing Association (the "GSE"). On August 7, 1997, in accordance with the Student Loan Marketing Association Reorganization Act of 1996 (the "Privatization Act") and approval by shareholders of an agreement and plan of reorganization, the GSE was reorganized into a subsidiary of SLM Holding (the "Reorganization"). Effective as of July 31, 2000, SLM Holding Corporation was renamed USA Education, Inc. upon the completion of the acquisition of the guarantee servicing, student loan servicing and secondary market operations of USA Group, Inc. ("USA Group"). USA Education, Inc. is a holding company that operates through a number of subsidiaries including the GSE. References herein to the "Company" refer to the GSE and its subsidiaries for periods prior to the Reorganization and to USA Education, Inc. and its subsidiaries for periods after the Reorganization.

The Company is the largest source of financing and servicing for education loans in the United States primarily through its participation in the Federal Family Education Loan Program ("FFELP"), formerly the Guaranteed Student Loan Program. The Company's products and services include student loan purchases and commitments to purchase student loans, student loan servicing, as well as operational support to originators of student loans and to post-secondary education institutions, guarantors and other education-related financial services. The Company also originates, purchases, holds and services unguaranteed private loans.

The following Management's Discussion and Analysis contains forward-looking statements and information that are based on management's current expectations as of the date of this document. Discussions that utilize the words "intends," "anticipate," "believe," "estimate" and "expect" and similar expressions, as they relate to the Company's management, are intended to identify forward-looking statements. Such forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause the actual results of the Company to be materially different from those reflected in such forward-looking statements. Such factors include, among others, changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in such laws and regulations; which may reduce the volume, average term and costs of yields on student loans under the FFELP or result in loans being originated or refinanced under non-FFELP programs or may affect the terms upon which banks and others agree to sell FFELP loans to the Company. The Company could also be affected by changes in the demand for educational financing and consumer lending or in financing preferences of lenders, educational institutions, students and their families; and changes in the general interest rate environment and in the securitization markets for education loans, which may increase the costs or limit the availability of financings necessary to initiate, purchase or carry education loans.

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CONFORMED SUBMISSION TYPE: 4
PUBLIC DOCUMENT COUNT: 1
CONFORMED PERIOD OF REPORT: 20031219
FILED AS OF DATE: 20031222

REPORTING-OWNER:

OWNER DATA:

COMPANY CONFORMED NAME: DALEY CHARLES L
CENTRAL INDEX KEY: 0001065129

FILING VALUES:

FORM TYPE: 4
SEC ACT: 1934 Act
SEC FILE NUMBER: 001-13251
FILM NUMBER: 031067190

BUSINESS ADDRESS:

STREET 1: SLM CORPORATION
STREET 2: 11600 SALLIE MAE DRIVE
CITY: RESTON
STATE: VA
ZIP: 20193

ISSUER:

COMPANY DATA:

COMPANY CONFORMED NAME: SLM CORP
CENTRAL INDEX KEY: 0001032033
STANDARD INDUSTRIAL CLASSIFICATION: PERSONAL CREDIT INSTITUTIONS
IRS NUMBER: 522013874
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

BUSINESS ADDRESS:

STREET 1: 11600 SALLIE MAE DR
CITY: RESTON
STATE: VA
ZIP: 20193
BUSINESS PHONE: 7038103000

MAIL ADDRESS:

STREET 1: 11600 SALLIE MAE DR
CITY: RESTON
STATE: VA
ZIP: 20193

FORMER COMPANY:

FORMER CONFORMED NAME: SALLIE MAE
DATE OF NAME CHANGE: 20020517

FORMER COMPANY:

FORMER CONFORMED NAME: USA EDUCATION INC
DATE OF NAME CHANGE: 20000801

FORMER COMPANY:

EXHIBIT 5

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DATE OF NAME CHANGE: 19970203

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